1-1-1982

Washington report, vol. 11 no.33, October 11, 1982

American Institute of Certified Public Accountants.

AICPA Washington Report

October 11, 1982, Volume XI, Issue 33

DEPOSITORY INSTITUTIONS DEREGULATION COMMITTEE

Regulations regarding the new deposit account are likely to be issued before the end of the Congressionally mandated 60-day period, according to Treasury Secretary Donald T. Regan. At a meeting of the Dealer Bank Association in Washington, D.C., Mr. Regan, who is chairman of the deregulation committee, said it appears likely the new account will carry a $5,000 minimum balance. The 10/1/82 Congressional passage of H.R.6267, the "Depository Institutions Amendments of 1982," directs the DIDC, within 60 days of enactment to authorize a new deposit account for depository institutions which is "directly equilivant to and competitive with money market mutual funds." In a speech to the Association's conference Mr. Regan said, "I see no reason to wait for 60 days. If you want to compete with money market funds, I think you should. The sooner the better." The bill requires that the new account carry no limitation on interest rates and states that the new account is not subject to transaction account reserve requirements. Business accounts, however, will be reservable at 3% of deposits. Further, the measure allows up to three preauthorized or automatic transfers against the new account each month. The few issues left to be settled by the DIDC include: setting a minimum initial balance; deciding whether there also should be a minimum maintenance balance; and deciding whether to impose minimum denominations on drafts drawn on the account. In addition, addressing a 10/6/82 press conference, Federal Home Loan Bank Board Chairman Richard Pratt predicted that depository institutions will regain about $100 billion of the money funds' current total of slightly more that $200 billion. Claiming that thrifts will offer more competitive rates on the new accounts than will banks, Pratt said he expects thrifts may gain as much as $50 or $60 billion of this new money.

COMPTROLLER OF THE CURRENCY

Applications are now being sought for the Comptroller of the Currency's highly successful Accounting Fellowship Program. One candidate will be selected to begin the two-year term sometime between 12/82 and 2/83. Applicants are required to submitt a SF 171 (Personal Qualifications Statement) accompanied by a four to ten page essay on an accounting subject of interest to them and germane to the work of the Comptroller of the Currency. Additionally, two letters of recommendation should be included. The material should be sent to the Comptroller of the Currency, Human Resources Division, Staffing Services, Washington, D.C. 20219. Applications will be accepted through 11/30/82. The fellowship candidate should have a minimum of five years public accounting experience with an understanding of bank accounting. Additionally, one to two years must be at the "manager" level in public accounting where the individual has been required to plan and control audit engagements, supervise the audit staff. Further, the candidate must be a CPA. The candidate chosen will be required to sever all ties with their current employers before accepting appointment. No accounting fellow will be assigned to cases relating to previous associations. Copies of the announcement describing the program or additional information contact Zane Blackburn, Director, Bank Accounting Division at 202/447-0471.

FEDERAL DEPOSIT INSURANCE CORPORATION

The withdrawal of a proposed rule, which would have required accrual accounting recordkeeping, was recently announced by the Federal Deposit Insurance Corporation (see the 10/5/82 Fed. Reg., pp. 43985-6). This document withdraws a proposed amendment announced on 4/21/82, which would have required insured state non-member commercial and savings banks to employ accrual recordkeeping practices. The withdrawal, according to FDIC, was made because it is the policy of the Board of Directors of the FDIC to formally withdraw proposed regulations on which it does not intend to take further action. During the comment period following the issuance of the proposal on 4/21/82, the FDIC received 133 comment letters. According to the FDIC analysis of the letters, three states, two CPA firms and nine others favored the proposal. There were 115 letters in opposition. The principal issues raised in these letters included commentary that alleged a negative cost/benefit relationship; an inadequate lead time for implementation; an underestimate of the costs involved in the proposal; and, the opinion that the accrual method of accounting was neither more accurate nor preferable to the cash basis of accounting for the affected institutions. For additional information contact Felicite Macfarlane at 202/389-4141.

FEDERAL HOME LOAN BANK BOARD

Rules to ease certain limitations on previously prohibited loans and rules affecting boards of directors, have been proposed by the FHLBB (see the 10/7/82 Fed. Reg., pp. 44334-40). This proposal seeks to revise FHLBB regulations pertaining to conflicts of interest at institutions insured by the Federal Savings and Loan Insurance Corporation (FSLIC). Some of the proposed revisions would: change the criteria for recognizing a limited partnership as an affiliated person of an insured institution (with a corresponding change to the attribution rules in the regulation limiting loans to one borrower); change the guidelines on composition of an insured institution's board of directors to provide that a majority rather than two-thirds of the board should be outside directors, and impose a cost of funds floor on preferential interest rates for loans to affiliated persons. Comments are requested by 12/7/82. For additional information contact Michael D. Schley at 202/377-6444.

NATIONAL CREDIT UNION ADMINISTRATION

Most regulatory restrictions on group purchasing activities of federal credit unions were removed recently by the adoption of a final rule on the subject by the NCUA (see the 10/7/82 Fed. Reg., pp. 44242-43). Under the rule, which is effective 10/30/82, a federal credit union may make insurance and group purchasing plans from outside vendors available to the membership and may perform administrative functions on behalf of the vendors. The rule also sets levels of reimbursement for insurance plans at $4 per single payment policy, $6 per combination policy or $4 per annum for any other type of policy. For group purchasing plan other than insurance, a credit union may receive an amount not to exceed the direct and indirect cost to the credit union of administrative functions. For additional information contact Linda Cohen at 202/357-1080.

SECURITIES AND EXCHANGE COMMISSION

Three major items dealing with accountants will be among the subjects for discussion before the Commission at its recently announced 10/14/82 open meeting. The three items to be discussed are described in an SEC News Digest (82-194) as follows: 1) Consideration of whether to announce the withdrawal of proposed rule amendments which would have had the effect of excluding accountants from liability under Section 11 of the Securities Act of 1933, for reports on unaudited supplementary financial information as to the effects of changing prices and as to oil and gas reserves. For additional information contact Linda Griggs at 202/272-2130. 2) Consideration of whether to announce a new policy regarding the public availability of correspondence about the impact of certain relationships between registrants and accountants on the independence of such accountants. 3) Consideration of whether to issue a release which proposes amendments to the Commission's rule regarding the independence of accountants. The proposed amendments would revise the definition of the term "member" in section 210.2-01(b) and make minor technical changes to clarify the intent of the rule. The proposed revisions would cause Rule 2-01(b) to no longer apply to any professional employee of an accounting firm, provided that such employee is not involved in providing professional services to the subject client or any of its affiliates and is not a managerial employee located in an office of the firm participating in a significant portion of the audit. For additional information on items 2 or 3 contact Clarence Staubs at 202/272-2130.

TREASURY, DEPARTMENT OF

A proposal to limit the definition of group-term life insurance, which would be excludable from the income of an insured employee, was recently issued for public comment by the IRS (see the 10/7/82 Fed. Reg., pp. 44343-45). Under the proposal, the definition would be narrowed to only that amount of insurance that is provided without evidence of individual insurability, when the insurability evidence is based on a physical examination. This requirement relates to the fact that group life plans prohibit the use of individual selection of amounts of insurance. Information gained from medical examinations can be used to determine individual amounts of insurance for individual workers and thus facilitates individual selection, according to the IRS. Among other changes made in the proposal is a limit on the extent to which employees declining insurance are actually considered to receive the insurance for purposes of the so called "under 10 rules" which provide special conditions for groups of less than 10 employees. The proposal would amend tax regulations at 26CFR Part 1, under section 79, and would be effective for insurance provided in taxable years beginning after 12/31/82. Comments are requested by 12/6/82. For additional information contact Phoebe Mix at 202/566-3288.

SPECIAL: OIL ROYALTY LEGISLATION PASSES HOUSE

On 9/29/82, by voice vote, the House suspended the rules and passed H.R. 5121, the Federal Oil and Gas Royalty Management Act of 1982. The legislation provides for improvements in the collection of royalties and is expected to raise government revenues by more than $100 million a year. The measure, designed to improve collection of royalties for oil, gas, coal and other minerals produced in federal lands, allows the Interior Secretary to delegate auditing, investigation and inspection authority to states through contracts or cooperative agreements. H.R. 5121 is similar to the Administration supported S. 2305, which has been reported out of the Senate Energy and Natural Resources Committee. The Senate Committee staff indicates a likelihood the issue will be considered in the lame duck session.

For additional information please contact Jim Kovakas, Gina Rosasco, Nick Nichols or Kathee Baker at 202/872-8190.

AICPA ***Washington Report***

American Institute of Certified Public Accountants
1620 Eye Street, N.W., Washington, D.C. 20006

FIRST CLASS MAIL